
2010 Revenue Bond Transaction Summary



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Summary of Financing Process

Summary of Financing Process



City of Burlington, NC

Feb. 2008-2009: Davenport and City begin Utility Capital Funding Engagement.

- Develop a comprehensive Water and Sewer Pro Forma incorporating operating and capital budgets to test multiple financing scenarios.

Mar. 2009-2010: Davenport and City Staff develop Preliminary Plan of Finance

- Refine assumptions for the Water and Sewer Pro Forma and test various financing scenarios.
- Meet with Engineers to determine timing of projects for Phase I of Capital Improvements.
- Analyze viability of Build America Bonds to reduce interest rate costs.
- Develop a preliminary Plan of Finance and Preliminary Financing Schedule.
- Insure coordination between the financing schedule and the design, permitting and bidding of all of the projects.

May- July 2010: Davenport and City Staff Develop Financing Team

August 2010: LGC Application Submitted and Document Preparation and Review Begins

- City submits LGC Application to approve financing.
- Working Group drafts financing documents for review and revision.

Summary of Financing Process



City of Burlington, NC

Aug - Oct. 2010: Working Group performs due diligence for the financing.

- The working group meets at the LGC to review financing documents and has multiple follow-up conference calls.

Sept - Nov. 2010 : Davenport and City Staff develop Credit Presentation Strategy (discussed in following section)

- Develop a strategy to obtain the highest possible Credit Ratings.

Dec 2010: Credit Rating Process Completed and Bonds are offered to the Public.

- City receives published credit ratings from Moody's & S&P.
- Preliminary Offering Document mailed to investors and Underwriters market the City's Bonds.
- Final determination made on use of Build America Bonds.
- Underwriters Sell Bonds on December 14th and December 15th.
- Documents finalized and bonds closed on December 29th.



Summary of Credit Rating Process

Credit Rating Process



City of Burlington, NC

- Since the City had never issued Revenue Bonds, the City needed to obtain initial credit ratings for the planned Water and Sewer Bonds.
- Davenport worked with the City to develop a comprehensive Credit Rating Presentation to share with the Rating Agencies which:
 - Provided historical background on the demographic, economic, financial, and debt profile of the City and Enterprise System.
 - Summarized future financial projections for the Enterprise System based on the feasibility study.
 - Highlighted the strengths of both the City's General Fund and the Enterprise System.
- The Rating Agency analysts performed independent reviews of the material presented by the City and Davenport.
- The rating analysts presented their findings to a Committee of Senior Credit Rating personnel at their respective agencies and provided the City with their Ratings:

Credit Rating Results



City of Burlington, NC

Observations

- The City received strong initial credit ratings on the Enterprise System from both Moody's and S&P:
 - Moody's: Aa3
 - S&P: AA
- The ratings reflect a System that is strong financially with adequate rates and charges, debt service coverage and reserve levels.
- The revenue bond ratings are separate and distinct from the City's General Obligation bond ratings.
- The ratings are based solely on the System's financial performance without the expectation of General Fund financial support.

Credit Rating Comparison

| | Moody's | S&P |
|----------------|---|------|
| <i>Highest</i> | Aaa | AAA |
| | Aa1 | AA+ |
| | Aa2 | AA |
| | Aa3 | AA- |
| | A1 | A+ |
| | A2 | A |
| | A3 | A- |
| | Baa1 | BBB+ |
| | Baa2 | BBB |
| | Baa3 | BBB- |
| <i>Lowest</i> | <hr style="border-top: 1px dashed black;"/> <i>Non-Investment Grade</i> | |



Summary of Pricing

Final Pricing



City of Burlington, NC

Summary Statistics

Par Amount:

| | |
|---------------------|---------------------|
| Tax-Exempt | \$11,825,000 |
| Build America Bonds | <u>\$10,700,000</u> |
| | \$22,525,000 |

True Interest Cost 4.13%

Projects:

| | |
|-----------------------|--------------|
| South Burlington WWTP | \$7,145,250 |
| Stoney Creek Dam | \$4,464,196 |
| Lake Cammack Dam | \$1,949,228 |
| 2004 COP's Refunding | \$11,063,470 |

Final Maturity:

| | |
|-----------|------|
| New Money | 2036 |
| Refunding | 2024 |

Refunding Savings \$66,930 per year

Build America Bond Savings \$2,084,508 (Estimated)

Transaction Team / Syndicate Policies



City of Burlington, NC

Transaction Team

- Managing Firms:
 - Wells Fargo Securities, *Senior Manager*
 - BB&T Capital Markets, *Co-Manager*
- Financial Advisor:
 - Davenport & Company LLC
- Bond Counsel:
 - Womble Carlyle Sandridge & Rice, PLLC
- Underwriter's Counsel:
 - Sands Anderson PC
- Feasibility Consultant:
 - Raftelis Financial Consulting, PA
- Trustee:
 - US Bank, N.A.
- Verification Agent:
 - The Arbitrage Group

Syndicate Policies

- Underwriting Liability:
 - Wells Fargo 70%
 - BB&T Capital Markets 30%
- Priority of Orders:
 - ***Tax Exempt***
 1. North Carolina Retail Orders
 2. National Retail Orders
 3. Group Net Orders
 4. Member Orders
 - ***Taxable***
 1. Group Net Orders
 2. Member Orders